In the
Supreme Court of the United States

OCTOBER TERM 1969

No. 127

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

TABLE OF CASES

	Page
Aktiebolaget Bofors v. U. S. 194 F. 2d 193 (C.A. D. C.)	4
American Locomotive Company v. Chemical Research Corporation 171 F. 2d 115 (6 C. C. A.)	7

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No. 427

GENERAL DEVELOPMENT CORPORATION,
formerly named
FLORIDA CANADA CORPORATION,
formerly named
CHEMICAL RESEARCH CORPORATION,
Petitioner,

vs.

UNION CARBIDE AND CARBON CORPORATION
(now, Union Carbide Corporation)
Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

A.

CORRECTION OF INACCURACIES IN STATEMENT OF PETITIONER

The language used in the first paragraph of the Petition (P. 2) "for licensee's unauthorized use beyond permitted limits, of a licensed, secret process," and that used in the second paragraph (P. 2) "of the secret Gyro Process," and

that used in B. 3 (b) (P. 3) "licensee of a secret process" and that used in B. 3 (c) (P. 3) "the owner of a secret promise had disclosed the same" is inaccurate.

The instant case is not for breach of a contract licensing the use of a secret process, and the purpose of Petitioner in making these statements appears to be to justify the inclusion of a claim of conflict with a decision of another court of appeals as a ground for the writ.

B.

RESTATEMENT OF CONCISE STATEMENT OF THE CASE.

(Figures in parentheses refer to pages of Appellant's Appendix in the Circuit Court of Appeals, unless the context clearly indicates otherwise)

Respondent believes that in order that the case may be fairly stated it must make the following restatement:

On September 17, 1927 Gyro Process Company (later merged with Petitioner) and Carbide and Carbon Chemicals Company (later merged with Respondent) entered into a written contract (hereinafter called the 1927 contract) by which Gyro, as owner of a *patented process*, granted to Carbide a running royalty license to use the patented process and sell the products thereof (11a 19a).

Disputes arose and litigation followed. On November 1, 1943, the parties entered into a written contract (hereinafter called the 1943 contract) settling all matters in dispute, canceling the 1927 contract, and granting to Carbide the right to use the South Charleston, West Virginia, plant for any purpose to its November 1, 1943 capacity, and for a further consideration Gyro sold to Carbide a paid up license for an additional input of 2000 barrels per day in

that plant should it be thereafter expanded, and the right to use the plant as so expanded for any purpose. (5a-10a).

Petitioner filed on August 3, 1954 its Complaint (1a), on December 7, 1954, its First Amended Complaint (1a), and on February 12, 1958, its Second Amended Complaint (3a). The Second Complaint (178a-187a) is based on alleged breaches of the 1943 contract.

Three breaches are alleged:

First: Use of the Gyro Process by Respondent in many plants located in many places other than the South Charleston, West Virginia, plant, in excess of the limits permitted by the 1943 contract (Paragraph 15, 185a-186a) and failure and refusal to make royalty or other payments to Petitioner for such excess use (Paragraphs 16 & 17, 186a-187a);

Second: Design or other acquisition by Respondent of improvements or additions to the Gyro Process (Paragraph 15, 185a-186a) and refusal to disclose the same and to grant to Petitioner royalty-free license to use and practice the same (Paragraphs 16-17, 186a-187a);

Third: Refusal and rejection by Respondent of Petitioner's request to arbitrate the claims of Petitioner (Paragraph 16, 186a-187a).

Respondent made a motion for summary judgment on the Second Complaint under Rule 56. The motion was based on the pleadings, certain interrogatories of Petitioner, and answers of Respondent thereto, certain interrogatories of Respondent and the answers of Petitioner thereto, and certain affidavits filed on behalf of each party (190a-192a).

The motion was granted and the case was dismissed (228a).

Petitioner appealed to the Circuit Court of Appeals for the Sixth Circuit, which affirmed the judgment below (now reported in 289 F. 2d 193).

C.

ARGUMENT.

(The argument below follows the order used by Petitioner in its argument.)

I.

Claimed Conflict with Decision of Federal Circuit Court of Appeals for District of Columbia.

Petitioner claims that a conflict exists between the Court of Appeals decision in the instant case (280 F. 2d 193) and the decision in *Aktiebolaget Bofors v. United States*, 194 F. 2d 145 (C.A. D.C. 1954). There is no conflict whatsoever between that decision and the decision of the Court of Appeals in this case. Each case considered a different contract. There is no legal principle stated in either case which conflicts with the other. They are merely two opinions deciding whether or not two different complaints based on two different contracts state a cause of action. Moreover the *Bofors* case does not construe any language in any way similar to paragraph 5 of the 1943 contract in this case, which is the portion of the contract to which the Court of Appeals below gave most of its consideration.

In the *Bofors* case the process owned by Bofors was a secret unpatented process by the use of which certain guns were made, and for which an "exclusive and irrevocable license to make, use and have made in the United States for the United States use" such guns was granted.

The decision in the Bofors case briefly was that the action stated was not a tort action but an action for breach of contract, and that the District Court had no jurisdiction because of the amount of damages claimed—an issue in no way involved in the instant case.

Petitioner has used inaccurate language in its petition in describing the instant action as "one involving the licensing of a secret process." This is an effort by petitioner to give some semblance of substance to its alleged intercircuit conflict.

The instant case arises out of a licensing of a patented process, and not a licensing of a secret process. Neither the 1927 patent licensing contract nor the 1943 settlement contract refers to or mentions any secret process or trade secret, or disclosure of any information in confidence, but the 1927 contract does describe the collective patents constituting the Gyro Process (11a).

Paragraph 1 of the 1943 contract cancels the 1927 contract, and releases the parties from any and all "obligations of any kind and nature arising from or growing out of said contract of September 17, 1927, or from any operation or undertaking connected therewith" (6a).

Paragraph 5 of the 1943 contract specifically excludes any matter not expressly stated in the agreement:

> "5. This agreement contains all the acknowledgments, representations, warranties, rights, duties, covenants and agreement of any nature or kind of relating to any subject matter whatsoever between

(Page 2) "for licensee's unauthorized use beyond permitted limits of a licensed secret process," and "of the secret Gyro Process."

(Page 3) "licensee of a secret process" and "the owner of a secret process has disclosed the same"

> the parties hereto and no acknowledgment, representation, warranty, right, duty, covenant or agreement shall be implied" (9a).

The difference between the decisions in the two cases is that each decision is based on the construction of a different contract, and since the instant case deals with a patented process and not a secret process the only possible vestige of similarity between it and the *Bofors* case vanishes.

That the only issue raised by the motion for summary judgment is the construction of the contract entered into by the parties in 1943, is made clear in the opinion of the Court of Appeals, which reads in part as follows:

> "While the use of the Gyro Process outside of the **South Charleston plant is not admitted**, the defendant contends that even if it was so used in violation of plaintiff's rights the remedy does not lie in this action since such usage would not be a violation of the 1943 contract. It urges that the only grounds upon which the plaintiff could recover in this action for breach of contract would be a showing of an increase after November 1, 1943, of the capacity of the South Charleston plant by more than a daily input of two thousand barrels. We agree.
>
> "The replies to the interrogatories and affidavits filed in support of defendant's motion for summary judgment establish without dispute that there was no excess use of the Gyro Process at the South Charleston plant. Therefore, since this fact is undisputed, the breach of the contract because of alleged excess usage in other plants of the defendant *presents a question of law depending on the construction and legal effect of the 1943 contract.*" (Emphasis added) (Petitioner's Appendix, Pages 4a and 5a) (280 F. 2d 193, at page 195).

There is clearly no conflict with the *Bolar* decision, and thus there cannot be "confusion on the part of the profession and public" as claimed by Petitioner in paragraph numbered 2 on page 13 of its petition.

It is submitted that there is no basis for the granting of the petition on the ground of conflict with the decision of another court of appeals on the same matter.

II.

Claimed Conflict with State Law.

This claim appears to be based solely on the arbitration clause (Paragraph 4 of the 1943 contract (8a-9a)), as the cases cited by Petitioner in support of its claim are all cases dealing with arbitration provisions. Respondent submits that this claim is entirely without merit for the following reasons:

(a) The arbitration clause provides a method for the appointment of an arbitrator if the parties do not mutually agree on an arbitrator within a specified time after demand for arbitration (8a-9a).

The record is silent as to any action by Petitioner at any time to obtain such appointment as provided by Paragraph 4. Rather, Petitioner filed its Complaint in the District Court. It had this right, which Respondent has never questioned. If Respondent committed a technical breach it is no moment. Petitioner's rights under the contract were thereby in no way changed. Petitioner elected to seek determination of its rights by recourse to action in court, and it waived arbitration. In *American Locomotive Company vs. Chemical Research Corporation*, 171 F 2d 115 (Sixth C.C.A.) on Page 120 it is said "Arbitration is merely a form of trial

not a remedy," and on Page 121: "The right of arbitration provided by contract can be waived."

(b) It does not appear that the decision below in any way "disallowed Petitioner's remedy herein for such type of dispute." Petitioner elected to sue on its alleged claims, and in so far as the cited cases are applicable they confirm Petitioner's right so to do. Respondent has never challenged this procedure, and it is not an issue in the case.

It is submitted that there is no basis for the granting of the petition on the ground of conflict with State law.

III.

Claimed Presence of a Genuine Issue of Material Fact.

The question is not whether Petitioner made a showing sufficient to disclose presence of a genuine issue of fact on the question of extraneous usage, but rather whether any such usage would constitute a breach of the 1943 contract. This latter question is a question of law, requiring only a construction of the 1943 contract.

There is no word in that contract as to any other plant, and Paragraph 5 thereof expressly forbids the implication of any "acknowledgment, representation, warranty, right, duty, covenant or agreement" (9a).

We submit that the interpretation of the Court below that Paragraph 5 "precluded in suit upon the contract, enforcement of claims for process use in extraneous plants" is correct.

There is no basis for the granting of the petition on this claimed issue.

CONCLUSION

It is therefore respectfully submitted that this case is no
a proper one for review by certiorari in this Court, and tha
petition for a writ of certiorari should be denied.

Dated: October 14, 1960.

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